

Table of Contents: Chapter 2 – Internal Controls

Chapter 2 – Internal Controls.....	2
2.1 General Internal Controls.....	2
2.1.1 Internal Control Objectives.....	3
2.1.2 Segregation of Duties.....	6
2.1.3 Sample Internal Controls	6
2.1.4 Limitations of Internal Controls.....	7
2.1.5 Reconciliation and Certification Requirements	7
2.2 SuperCard Internal Controls	9
2.2.1 Tracking Cardholders.....	9
2.2.2 Reporting and Billing Structure	9
2.2.3 Monitoring of Program Usage	10
2.2.4 Commodity Blocking and Spending Limits	11
2.2.5 Reconciliation of Accounts.....	11
2.3 Audit and Compliance	11
2.3.1 Documentation Requirements.....	12
2.3.2 Reporting Requirements	12
2.3.3 Policy Maintenance Requirements	12
2.3.4 Penalties	13
2.4 Records Retention.....	13
2.4.1 General	14
2.4.2 Electronic Filing.....	14
2.4.3 External Construction Program Filing System	15
2.5 Security (General and Information Technology).....	16
2.5.1 Electronic Approvals/Signature Policy.....	17
2.5.2 Approval Authority Policy.....	18
2.5.3 First State Financials (FSF) User Roles.....	19

Chapter 2 – Internal Controls

Internal Controls provide management with reasonable assurances that its policies and procedures are implemented and consistently followed to ensure efficient and effective organizational operations.

An Internal Controls Plan consists of all the methods used to:

- ◆ Safeguard assets;
- ◆ Promote accuracy and reliability of the agency's accounting data and records;
- ◆ Encourage compliance with all policies and procedures prescribed by management; and
- ◆ Promote the operational efficiency of an agency.

2.1 General Internal Controls

Management is responsible for the creation and maintenance of a system of internal controls to ensure effective and efficient organizational operations. The State has adopted the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Controls Integrated Framework (COSO Framework) for agencies to use in the assessment of internal controls.

COSO is a voluntary, private sector agency dedicated to improving the quality of financial reporting through business ethics, effective internal controls, and corporate governance. The COSO Framework is used by agencies to assess and enhance their internal control systems.

The COSO framework has been used as a blueprint for the private and public sectors to establish internal controls that promote efficiency, minimize risks, promote the accuracy and reliability of financial statements, and encourage compliance with laws and regulations.

COSO defines a **control activity** as policies and procedures that help ensure management directives are followed. Control activities occur throughout the agency at all levels and in all functions.

The various types of control activities are as follows:

- ◆ **Operational controls** are procedural guidelines proactively placed around business processes.
- ◆ **Reconciliation controls** are designed to detect if two items are consistent.
- ◆ **Detective controls** are designed to find errors or exceptions after-the-fact.

All of these types of controls are an integrated part of any internal control structure.

The State's system of internal controls includes the establishment of Control Objectives, defining Control Procedures, and the preparation of formal Policies and Procedures.

A key ongoing objective of the State's financial officers is that all levels of responsibility and authority operate in an environment with internal controls. Management is entrusted with the responsibility for:

- ◆ Creating a control environment by communicating the importance of internal controls;
- ◆ Identifying and assessing potential risks;
- ◆ Designing, implementing, and maintaining specific control-related policies and procedures;
- ◆ Communicating policies and procedures throughout the agency;
- ◆ Monitoring control-related policies to ensure they are continuing to function properly;
- ◆ Endorsing the review of agencies' internal controls by the DOA; and
- ◆ Overseeing the implementation of recommendations from DOA reviews.

2.1.1 Internal Control Objectives

Each agency's control structure consists of a large range of policies and procedures. The American Institute of Certified Public Accountants (AICPA) Professional Standards AU3 19.06 defines control procedures as one of the key elements critical to providing assurances for the accuracy of financial statements.

Some of the basic objectives of control procedures are as follows:

- ◆ Transactions are properly authorized. A properly authorized document must have the correct number of approvals (hardcopy or electronic signature(s)) as required by the agency's internal policy and this Manual.
- ◆ Proper supporting documentation for all financial documents is required. Supporting documentation is defined as invoices, logs, worksheets, memos, or additional documentation that provides support for both the purpose and amount of a transaction.
- ◆ Duties are sufficiently segregated.
- ◆ A comparison or check of recorded assets against existing assets is performed regularly by staff that is independent of the financial area responsible for recording the assets.

Internal control systems vary from one entity to another. The control objectives and features are dependent on the organizational complexity of an entity and the management objectives for that entity.

Regardless of the differences in entity size and technical specialization, certain characteristics are present in all internal controls systems:

- ◆ A structural plan of the agency that provides the framework for the appropriate division of authority, responsibility, and duties among employees;
- ◆ An accounting system designed to measure the results of operations and financial position; and
- ◆ Personnel policies designed to employ, train, evaluate, and compensate employees.

While the above control objectives are broad enough to provide management with reasonable assurance that its policies and procedures are being carried out, these objectives are too general to help financial managers design or evaluate a system of accounting controls.

The following specific control objectives are widely accepted as elements of good control and should be used by operational and financial managers:

- ◆ **Authorization** – ensuring all transactions are approved by management.
- ◆ **Validation** – ensuring recorded transactions represent real transactions.
- ◆ **Capture** – ensuring all transactions are recorded.

- ◆ **Valuation** – ensuring all amounts recorded for transactions are accurate.
- ◆ **Classification** – ensuring all transactions recorded are assigned to the proper categories (e.g. assets, liabilities, revenues, expenses) and sub-categories (e.g. type of expenses).
- ◆ **Cut-off** – ensuring transactions are recorded in the appropriate accounting period.
- ◆ **Access** – ensuring only authorized individuals have appropriate access to assets, consistent with their job responsibilities.

A well-designed system of internal controls must include written policies and procedures to ensure each control objective is met. Failure to meet control objectives constitutes a weakness in an agency's internal controls system.

Managers should continuously monitor and improve the effectiveness of internal controls associated with their respective internal programs. This continuous monitoring and other periodic evaluations provide the basis for management's verification that existing controls are sufficient to safeguard the agency's assets.

Management is responsible for maintaining and communicating written policies and procedures to ensure an effective system of internal controls exists within each agency. Effective policies and procedures help ensure management directives are carried out and necessary actions are taken to address risks to the achievement of the agency's objectives.

State agencies should address a range of control activities in their written policies and procedures, such as:

- ◆ Proper authorization;
- ◆ Approval procedures;
- ◆ Verifications;
- ◆ Reconciliations;
- ◆ Reviews of operating performance;
- ◆ Security of assets; and
- ◆ Segregation of duties.

2.1.2 Segregation of Duties

One of the basic and most successful methods of achieving internal controls is through the segregation of duties. The segregation of duties divides the responsibility for a transaction or activity among different parties, so no one employee has complete control over the processing of transactions.

This method of control increases the likelihood that if one person makes an error, another will discover it. Segregation of duties also reduces the risk that one person would perpetrate and/or conceal errors in the normal course of their duties.

A rule of thumb in establishing the proper segregation of financial duties is the party that has access to or possession of an asset should not be the party that maintains the accounting records for the asset.

A few examples are:

- ◆ The division of responsibility for accounts receivable records and cash receipts.
- ◆ The preparation of monthly bank reconciliations by an employee not responsible for disbursing cash or depositing cash.
- ◆ The division of responsibility between the person with the ability to enter or change data in an automated system and the person who provides the approval for the transaction.

Access to the State's financial management and accounting system is structured so agencies may segregate authorized duties. **Users are not permitted to share login IDs or passwords under any circumstances. Sharing this information is a direct security violation.** Violation of security measures weakens the overall internal control structure of an agency. **Security personnel will promptly disable a user's access if the sharing of IDs and/or passwords is discovered.**

When segregation of duties is impossible or impractical, management should look for other methods of ensuring internal controls, such as regular periodic supervisory reviews, rotation of duties, edits built into automated systems, unannounced verification of assets, etc.

2.1.3 Sample Internal Controls

The following is a sample of internal controls procedures adopted by the State to ensure internal controls are properly maintained over the disbursement of State funds:

- ◆ State agencies are required to have procedures in place to ensure the individual who generates a payment is not the same individual who approves the same payment.
- ◆ Checks resulting from approved payments must not be returned to the persons that initiated or authorized the payment.

2.1.4 Limitations of Internal Controls

Internal controls are not foolproof. Management's monitoring of and attitude towards the adherence to control procedures are critical to making controls work. The objective of internal controls is to provide reasonable assurance that management's defined control objectives are being met.

The concept of reasonable assurance recognizes that the cost of the system of internal accounting controls should not exceed the benefits expected to be derived, and also recognizes that the evaluation of the cost-benefit relationship requires estimates and judgments by management.

2.1.5 Reconciliation and Certification Requirements

State agencies are required to comply with the following reconciliation and certification requirements:

- ◆ State agencies are required to review, reconcile, and monitor their transactions and accounts on a daily, weekly, or monthly cycle, as needed. The preparer of the financial document is required to initial and date the document as evidence of preparation and data entry.

State agencies should report any discrepancies in any transaction or account to their DOA State Accountant as soon as the agency becomes aware of the discrepancy.

- ◆ The Transactions Processed report must be reviewed and reconciled to the Daily Validity report on a line-by-line basis. Reviewers are required to sign and date the reconciliation as evidence of their review and approval. **This review should be performed on a daily basis.**
- ◆ Management is required to review State financial management and accounting system reports for balance verification as part of each agency's regular monthly reconciliation process and sign a monthly Certification of Internal Controls as evidence of this reconciliation and review. (Agencies should refer to the example at the end of this chapter.) **The Certification is to be submitted within 15 days of the end of the Month being certified.**

The Certification of Internal Controls acknowledges that:

- There were no deficiencies that arose which could adversely affect the agency's ability to record, process, summarize, and report financial data;
- No material weaknesses in the agency's internal controls were identified;
- Transactions have been properly reviewed and authorized prior to and during processing to ensure the proper delivery, receipt, and payment for goods/services; and
- Appropriations reflect accurate charges and all discrepancies identified have been corrected.

This form may be faxed to DOA to the attention of the agency's State Accountant.

- ◆ To ensure accuracy in accounting reports and statements, reconciliations are to be performed at least annually, during the month of June, to determine agreement between the financial data keyed into the State's financial management and accounting system and what is actually recorded on DOA reports. Reports are available through the use of DocumentDirect, a client-server product from Mobius.

Note: This reconciliation is to be performed in addition to the regular cyclical reconciliations performed in the normal course of an agency's business operations and does not relieve agencies of any responsibilities for monitoring their ongoing activities or reporting any discrepancies throughout the course of the fiscal year.

- ◆ Responsible officers are required to certify they conducted an annual review of their agency's financial management and accounting system Internal Controls Plan, and that the agency's operations were analyzed to ensure compliance with the plan.
This certification is included in the Letter of Representation that is submitted as part of the GAAP year-end package.
- ◆ The Director of Accounting is responsible for authorizing corrections to the accounts and records maintained by the Department of Technology and Information in the State's financial management and accounting system. State agencies will make corrections using an (AP) Journal Voucher (JV) transaction. DOA is available to assist State agencies in achieving an accurate reconciliation, if needed.

Agencies should refer to **Section 7.6.4** for more information about processing AP JVs.

2.2 SuperCard Internal Controls

State agencies' written SuperCard Internal Controls policies and procedures must address the following topics:

- ◆ Tracking cardholders;
- ◆ Reporting and billing structure;
- ◆ Monitoring of program usage;
- ◆ Commodity blocking and spending limits; and
- ◆ Reconciliation of accounts.

Depending on the complexity and size of an agency's program, internal controls may vary across different parts of an agency.

2.2.1 Tracking Cardholders

As part of the SuperCard Internal Controls Plan, state agencies must indicate their procedures for:

- ◆ Implementing and enrolling new cardholders;
- ◆ Handling changes to cardholders;
- ◆ Types of cards (purchasing, travel, or both);
- ◆ Deleting cardholders; and
- ◆ Cardholder security requirements.

An up-to-date list of authorized cardholders and their role in the program must be included. Additionally, procedures must be stated describing any actions to be taken for misuse of the card.

2.2.2 Reporting and Billing Structure

State agencies must indicate how they have set up their reporting and billing structure. For example, cardholders and accounts may be grouped together into various levels of reporting and billing, such as divisions, sections, etc.

Each hierarchy level receives a reporting package of active accounts. The package includes the Billing Statement representing that level's transactions for a one-month period. Each individual account will also receive a Commercial Card Statement, if requested.

State agencies must describe how reporting and bill payment information will flow within the agency. Internal reporting and/or billing structures may be:

- ◆ Centralized through the department;
- ◆ Broken down into smaller decentralized control groups; and/or
- ◆ A combination of smaller control groups operating under a central management group.

Other combinations or hierarchy design may be possible within the program but must be fully described.

2.2.3 Monitoring of Program Usage

State agencies must indicate how program participants and usage are monitored. The reporting and billing structure work in conjunction with the monitoring of account usage.

Agencies need to describe the system used to authorize procurement and travel activity from the initiation of the credit card transaction through the final payment of the account balance to the credit card bank.

In addition to monitoring the usage of specific accounts, state agencies should describe the management of card usage throughout their various reporting groups. For example, an agency may decide to use purchasing or travel logs to document account codes; to reference Requisition (RQ), Purchase Order (PO), or Payment Voucher (PV) numbers; and to capture details about items being charged.

Although there may be various control practices in use, the following cardholder internal control options must be considered:

- ◆ Holding all cards centrally and distributing the card to the appropriate individual(s) with each approval to purchase a good or service on the purchasing profile of the card and/or book reservations with the travel profile of the card;
- ◆ Having authorized staff carry cards independently with suitable controls (e.g. lower spending and transaction limits, specific merchant category code blocking, requirements for retaining receipts, etc.);

- ◆ Maintaining a central purchasing log for all cardholders; and/or
- ◆ Requiring each cardholder to maintain an individual purchasing and/or travel log.

2.2.4 Commodity Blocking and Spending Limits

State agencies must indicate requirements for commodity code use and card spending limits. Agency internal controls may involve setting specific commodity code blocking and/or other spending limits on active accounts.

Single transaction and monthly spending limits may be set per cardholder/account, group of accounts, or for the entire agency. Merchant Commodity Code (MCC) blocking may be made more restrictive by Agency Coordinators; however, complications may occur if MCC blocking is too restrictive or not uniform across smaller inter-agency units.

2.2.5 Reconciliation of Accounts

State agencies must indicate procedures for account reconciliation. If a purchasing and/or travel log or other recording documentation is used, these documents must be included in the written internal control procedures.

For further information or questions about general or SuperCard Internal Controls, agencies should contact their State Accountant.

2.3 Audit and Compliance

State agencies and programs are subject to periodic audits of their activities to make sure they are in compliance with State law, regulatory requirements, and the agency's own policies. These audits may be conducted by internal or external auditors.

Internal audits are management oriented. These audits gather information that is reported back to departmental and agency heads to assure these managers are in a position to make informed decisions. These audits can also detect areas in need of further internal controls; activities and practices that may require process changes to bring them into alignment with required policies; and opportunities for agencies to improve the way services are delivered.

External audits are oversight oriented. These independent audits contribute to the transparency and reliability of public sector financial reports. External auditors report to other branches and levels of government and to the public to assure effective legislative and public oversight of government activities.

Internal Controls processes must also be evaluated on a regular basis by internal or external parties to satisfy managers and elected officials that activity and system controls are adequately designed for their intended purposes, have been properly implemented, and continue to function. Regular audit and compliance checks enable the State to identify changes, modifications, and corrective measures needed for continued prudence in the management of public funds.

2.3.1 Documentation Requirements

Effective internal controls include proper documentation of all procedures, systems and processes for authorizing, executing and recording transactions. These transactions and processes must also be properly classified, organized, and formatted to create accurate and reliable records and reports.

Management uses financial and other data from various program activities and events to make the daily and long term decisions needed to effectively control operations. Transactional data must be promptly and accurately recorded, and all source documents must be preserved for audit purposes. Employees should contact their State Accountant with any questions about what documentation is required to support transactions.

2.3.2 Reporting Requirements

The accurate gathering of the State's financial information and activities is required for the State to meet its annual reporting requirements. Each year, the State produces a Comprehensive Annual Financial Report (CAFR), based on Generally Accepted Accounting Principles (GAAP) standards and guidelines. GAAP establishes financial reporting criteria for state and local governments, so the governments' financial performances can be reasonably compared to one another.

OMB and the DOF have identified the GAAP statements as presented in the CAFR to be the official record of the financial activities of the State.

2.3.3 Policy Maintenance Requirements

The Budget and Accounting Policy Manual is maintained by the OMB and by the DOF, through DOA.

2.3.4 Penalties

Failure to adhere to State policies and practices as outlined in the Delaware Budget and Accounting Policy Manual, or as disseminated from time to time by the DOA, may result in restricted or limited access to the State's financial management and accounting system, disciplinary action, dismissal, and/or legal action.

2.4 Records Retention

Records retention requirements are established by the Delaware Public Archives (DPA), an office of the Department of State. The most current State Agency General Records Retention Schedule is available at <http://archives.delaware.gov>. DPA has issued "Model Guidelines for Electronic Records" for use by all agencies in State and local government in Delaware. The purpose of these guidelines is to assist agencies to maintain records to meet the accepted standards for a variety of criteria, including ensuring that records are readily available, adequately protected, legally acceptable, auditable, and evidential.

DPA also establishes General Records Retention Schedules for electronic and paper-based records in an effort to ensure only necessary records are retained and records are retained for the proper time periods. **Agencies are responsible for adhering to all DPA records retention requirements.** Agencies should consult with DPA and DOA to determine specific record retention requirements as part of each agency's Internal Controls Plan. DPA is also available to discuss agencies' records storage requirements. For additional information about records retention schedules, agencies should refer to http://archives.delaware.gov/govsvcs/general_records_retention_schedules/index.shtml#TopOfPage.

Documents supporting financial transactions must be retained until the completion of a successful audit. A successful audit is one in which all general, special, and federal findings and recommendations have been completely resolved. Financial reports must be retained for five years and until the completion of a successful audit.

Electronically processed transactions records are automatically stored in the State's financial management and accounting system for reporting, auditing, and document retention purposes. Agencies remain responsible for maintaining any necessary documents and records for all manually processed transactions (where the hard copy signature for a transaction serves as the approval record), as well as any hard copy documents used to support processing for both electronic and manual transactions.

Agencies may elect to scan supporting documentation in the State's financial management and accounting system to meet their document retention requirements. For further information on this record retention option, the agency should contact their State Accountant.

2.4.1 General

Certain documents are retained and reviewed to determine the accuracy of the State's financial records, including the budgetary status reports received from DOA. These documents are also used by the DOF, OMB, and the Auditor of Accounts to determine the validity of financial data and the propriety of transactions. The methods and retention guidelines described in this Manual are the minimum requirements placed on agencies that generate financial documents for central processing.

Each agency is required to maintain transactional receipts and supporting documents in the manner established by the Director of OMB. All invoices, bills, statements, letters, vouchers, and other documents pertaining to receipts and disbursements must be systematically preserved by each agency. **(29 Del. C. §6504)** Agencies may electronically attach (scan) supporting documentation to transactions in the State's financial management and accounting system, or agencies may maintain and file hardcopy (paper) documents for this purpose.

The Secretary of Finance is responsible for keeping a distinct account, under appropriate headings, of all:

- Receipts and expenditures of State monies;
- State property; and
- Debts and obligations due to and from the State.

For this purpose, the Secretary of Finance is granted free and unfettered access to all the books, papers, documents, and records of State agencies receiving or expending any State money. **(29 Del. C. §6524)**

Agencies may set higher standards or criteria for internal records retention and filing. However, any exceptions to this procedure must be approved by the Director of OMB.

2.4.2 Electronic Filing

All transactions, such as purchase orders and invoices, are filed and stored electronically. These electronic files must be maintained to show the budget on an individual appropriation basis. Any supporting paper documents may be scanned into the State's financial management and accounting system electronically and attached to a specific transaction that reflect activity for a particular appropriation. These documents may not be commingled with any other appropriation.

2.4.3 External Construction Program Filing System

The following procedures are to be implemented to effectively manage and control the use of funds allocated to construction projects in state agencies. All paper documents pertaining to construction are to be kept separate and apart from all other General or Special Fund accounts. All projects within any given year's program should have a separate, well-identified file.

A centrally located Construction File, external to the State's financial management and accounting system, should be established to include, but not necessarily be limited to, the following:

1. Copy of authorizing legislation for construction and a copy of any supplemental legislation affecting construction programs.
2. Copy of major capital improvement planning budget, as approved by the Delaware Economic Development Office, the State Architect, and the General Assembly.
3. Construction plans and specifications for projects covered by the Architectural Accessibility Act (**29 Del. C., c73**) must be submitted to the State Architectural Accessibility Board for review and approval prior to the start of construction. Construction and renovation projects funded through the Capital Improvement Program, General Fund operational monies, or through bonds guaranteed in whole or in part by the State of Delaware fall within the purview of this Act.
4. Paper files and additional supporting documentation for each individual project to be retained include:
 - a. Division of Facilities Management Review and Approval;
 - b. Architectural Accessibility Board Review and Approval;
 - c. Professional Services Contract;
 - d. Legal Determinations;
 - e. Construction Contract;
 - f. Performance, Labor, and Material Bonds;
 - g. Contractors' Insurance Certificates are current by the expiration date, if a job is still in progress at such expiration date;
 - h. Purchase Orders, Payment Vouchers, and Books of Account, including any Department of Technology and Information reports, ledgers, or any other type of accounts used and any significant backup;

- i. Change Orders, including any significant backup;
- j. Job Meeting Minutes of any board, commission, committee, etc., having to do with planning, approving, or authorizing use of construction monies, if such entities exist;
- k. Correspondence Detailing Significant Project Activities;
- l. Certificate (Substantial Completion) and Permits (Building, Occupancy), and plus County or Regulatory Agency Signoffs;
- m. Release of Liens and Affidavit of Contractor's Payment of Indebtedness;
- n. Guarantees and Warranties;
- o. Liquidated Damage Assessment;
- p. Instructions to Bidders and Job Specifications;
- q. Bidders' Proposal;
- r. Subcontractors' Listing;
- s. Letter of Award
- t. Project-Related Shop Drawings;
- u. Code or Specification Required Certificates, Reports, Permits, or Inspections (Concrete, Geotech, Steel, etc.); and
- v. Special Reports (Engineering, Cost Analysis).

2.5 Security (General and Information Technology)

All state employees are required to abide by the State's policies for the safeguarding of proprietary and personal information, and the Department of Technology and Information's computer usage security policies. Employees are expected to safeguard and secure, and are prohibited from sharing, information, such as employee identification numbers, social security numbers, computer and software passwords, State credit card account and PIN numbers (e.g. fleet services card, SuperCard), building access badges, and other identifiers and access instruments distributed as State issued security measures. Any questions regarding this policy should be directed to <http://dti.delaware.gov/default.shtml>.

2.5.1 Electronic Approvals/Signature Policy

Delaware's Uniform Electronic Transaction Act (UETA), (**Title 6 Del C. §12A**) was enacted by the 140th General Assembly in July 2000 to provide the framework for the creation and validation of electronic signatures.

For the purposes of this policy, the term "governmental agencies" shall be used as defined in Delaware's UETA. (**Title 6 Del C. §12A**)

Electronic signatures shall be considered valid approval signatures for transactions processed in the State's official accounting system of record for all governmental agencies provided that:

- ◆ The use of the State's financial management and accounting system by all state governmental agencies and DOF constitutes an agreement to conduct business using electronic transactions and signatures.
- ◆ The electronic signature must be attributable to a specific individual. An electronic record or signature is attributable to an individual if it was the act of the individual. The act of an individual may be shown in any manner, including a showing of the efficacy of any security procedure applied to determine the individual to which the electronic record or electronic signature was attributable.
- ◆ In conformity with UETA as adopted by the State, information is considered provided, sent, or delivered, as the case may be, in an electronic record capable of retention by the recipient at the time of receipt. (**6 Del C. §12A-108(a)**) If a sender inhibits the ability of a recipient to store or print an electronic record, the electronic record is not enforceable against the recipient. (**6 Del C. §12A-108(c)**)
- ◆ The agency maintains on file with DOA a current listing of those with electronic signatory/approval authority on behalf of the government agency.
- ◆ Each state governmental agency maintains and documents the system of internal controls in place within the governmental agency to guard against fraud, waste, misappropriation or misuse of State, federal, and custodial funds and assets, including explicit guidelines regarding approval authority.
- ◆ All electronic transactions evidenced in the system of record must be archived in compliance with State retention schedules and policies, as disseminated by DPA.

In all such cases where the electronic signature/approval requirements have been met, the electronic approval or signature attached to a transaction shall suffice to establish the electronic transaction as the transaction of record in the official accounting system of record for the state governmental agency.

This policy validates the use of electronic signatures for the processing of transactions that accept electronic approvals in the State's financial management and accounting system and recognizes the legal authority of the electronic approval in lieu of a hardcopy signature.

Not all transactions are required to be processed electronically. DOF will identify the appropriate approval method for each transaction (electronic or manual).

Transactions that are manually approved external to the State's financial management and accounting system will still require a hardcopy of the transaction with all designated signatures to remain on file for document retention and audit purposes. For transactions requiring manual (hardcopy) signatures, the signed hardcopy of the transaction will remain the legal authority and document of record for the transaction.

Additional security, restrictions, documentation, approvals, and retention requirements may be implemented at the agency level, but not to the extent they countermand or undermine the electronic approval process delineated in this policy.

Agencies should refer to **6 Del C. §12A** for further information about the scope and applicability of Delaware's UETA.

2.5.2 Approval Authority Policy

This policy sets accountability and control standards for the determination and delegation of review and approval authority for business transacted on behalf of the State. This policy is intended to ensure transactions are reviewed for completeness and accuracy and they conform to the State's documentation and compliance standards.

Approval authority is delegated by the Secretary of Finance to DOA and to approving officials (Department Heads and other designees) at the state agencies to transact the State's business.

The following guidelines and restrictions must be followed for all State transaction approvals:

- ◆ Only authorized approvers may transact the State's business.
- ◆ Only authorized Department Heads may delegate approval authority for the review and approval of transactions in the State's financial management and accounting system of record.
- ◆ Only employees designated by Department Heads are authorized to commit an agency to a purchase and the associated funding distribution(s). Approvals by authorized personnel certify the transaction conforms to State rules, regulation, and policy.

- ◆ A record of those with approval authority for state agencies must be on file (hardcopy or electronic) with the head of the appropriate state agency and with DOA. The listing of those with approval authority should be updated by individual agencies as needed and additionally reviewed at least once a year.
- ◆ Approvers authorized to transact business in the State's financial management and accounting system acknowledge and agree they are accepting a public trust that includes the responsibility to:
 - Properly safeguard State assets;
 - Recognize and record all transactions;
 - Expend resources only for authorized purposes; and
 - Comply with legislation, rules, and regulations in the performance of their duties.
- ◆ Approvers are expected to use good judgment and professional standards in the performance of their duties.
- ◆ An individual may be authorized to input or submit transaction data into the State's financial management and accounting system, but this in and of itself does not constitute approval authority.


For additional information or questions regarding this policy, agencies should refer to **Chapter 6. Approvals**.

Related Links:

- Transaction Threshold
- Transaction Approvals
- Use of Funds
- Fiduciary Responsibility

2.5.3 First State Financials (FSF) User Roles

A complete listing of First State Financials (FSF) User Roles can be found at the following link: http://extranet.fsf.state.de.us/documents/training/job_role_handbook.pdf.



STATE OF DELAWARE
FSF Monthly Reconciliation Certification

I _____ Date: _____
Organization Name: _____
Organization DDS#(s): _____

We acknowledge our responsibility to identify and correct transactions that are outstanding in FSF. As such, I certify to the best of my knowledge and belief, that for the time period of _____ through _____
we have reconciled our budgetary reports to the actual reports to determine if transactions have been properly processed, reviewed, and authorized. To that effect, we certify that:

- There were no deficiencies that arose which could adversely affect this organization's ability to record, process, summarize and report financial data;
- We have identified no material weakness in internal controls;
- The transactions have been properly reviewed and authorized prior to processing to ensure the proper delivery and receipt of good/s/services;
- Appropriations reflect accurate charges and all discrepancies identified have been corrected.

This certification includes review and reconciliation within each of the FSF Modules:

☐ Accounts Payable

☐ Grants

☐ Purchase Orders and Requisitions

☐ PCard

☐ Accounts Receivable/Billing

☐ PFA

☐ I certify FSF Monthly Reconciliation is complete with no exceptions.
OR
☐ I certify FSF Monthly Reconciliation is complete with exceptions as noted in the attached Monthly Reconciliation Exception Report.

(Certifier's Signature)

(Certifier's Printed Name and Title)

(Date)

Signatures must be actual signatures, not stamped. This Certification is to be submitted within 15 days of the end of the Month being certified.

FAX completed form to DOA 302-736-7937